SGGF II

Saskatchewan Government Growth Fund II Ltd.

Creating economic wealth and diversification
through investment of immigrant investor capital in Saskatchewan

2009 FINANCIAL STATEMENTS

SASKATCHEWAN GOVERNMENT
GROWTH FUND

Auditors' Report

To the Shareholder of Saskatchewan Government Growth Fund II Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 2009, and the statements of operations and comprehensive loss, deficit and accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 8, 2010

Saskatchewan Government Growth Fund II Ltd.
Statement of Financial Position

December 31	2009	2008
Assets		
Cash	**$ 65,380**	$ 71,126
	$ 65,380	$ 71,126
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities	**$ 13,413**	$ 14,087
Commissions payable (Note 3)	**24,500**	24,500
Investor bonds (Note 4)	**7,871,930**	7,871,930
	7,909,843	7,910,517
Share capital (Note 5)	**1,000**	1,000
Deficit and accumulated other comprehensive income	**(7,845,463)**	(7,840,391)
	(7,844,463)	(7,839,391)
	$ 65,380	$ 71,126

See accompanying notes to the financial statements.

On behalf of the Board:

Roland Hardy
Director

Robert Spelliscy
Director

Saskatchewan Government Growth Fund II Ltd.
Statement of Operations and Comprehensive Loss

Year ended December 31	2009	2008
Revenues		
Income from cash	**$ 949**	$ 2,832
Expenses		
Administration (Note 7)	**6,021**	7,995
Net loss for the year	**(5,072)**	(5,163)
Other comprehensive income	**-**	-
Comprehensive loss for the year	**$ (5,072)**	$ (5,163)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Statement of Deficit and Accumulated Other Comprehensive Income

Year ended December 31	2009	2008
Deficit, beginning of year	**$ (7,840,391)**	$ (7,835,228)
Net loss for the year	**(5,072)**	(5,163)
Deficit, end of year	**(7,845,463)**	(7,840,391)
Accumulated other comprehensive income, beginning of year	-	-
Other comprehensive income for the year	-	-
Accumulated other comprehensive income, end of year	-	-
Total deficit and accumulated other comprehensive income	**$ (7,845,463)**	$ (7,840,391)

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Statement of Cash Flows

Year ended December 31	2009	2008
Cash flows from operating activities		
Net loss for the year	**$ (5,072)**	$ (5,163)
Items not affecting cash:		
Net change in accounts payable and accrued liabilities	**(674)**	1,330
Net decrease in cash	**(5,746)**	(3,833)
Cash, beginning of year	**71,126**	74,959
Cash, end of year	**$ 65,380**	$ 71,126

See accompanying notes to the financial statements.

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements
December 31, 2009

1. Status of the Corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II" or the "Fund") was incorporated in March 1993 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, the Fund was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured, subordinated bond with a principal amount of $250,000 ("Bonds"). The marketing period for the Fund closed on May 28, 1995.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions which qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than $35 million.

The Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of the Fund or of a return of an investor's original investment. Neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Bonds.

The Fund's only source of revenue is from its investments and interest on cash. The Fund has liquidated all of its investments. There were insufficient proceeds on liquidation to satisfy all of the Fund's obligations.

The Fund has initiated the process of winding up the corporation and intends to distribute any net proceeds of liquidation of its remaining assets to holders of Bonds.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Changes to accounting standards

In June 2009, the Canadian Accounting Standards Board approved amendments to CICA Handbook Section 3862 "Financial Statements – Disclosures". The amendments require publically accountable enterprises to classify fair value measurements based on a three-level fair value hierarchy. "Level 1" financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities; "Level 2" financial instruments are valued using observable inputs other than quoted prices included in Level 1; "Level 3" financial instruments are valued using unobservable inputs for the asset or liability. The Fund has classified its cash as Level 1. Adoption of the amendments did not affect the financial results of the Fund.

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2009

Financial instruments

All financial instruments are classified as one of: (a) held-to-maturity; (b) loans and receivables; (c) held-for-trading; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized in comprehensive income. Accumulated other comprehensive income is reported as a separate component of shareholder's equity. Embedded derivatives are accounted for as separate financial instruments and classified in accordance with the above-noted classifications. Investment companies are exempt from these accounting policies with respect to investments and are permitted under Accounting Guideline 18 of the Canadian Institute of Chartered Accountants ("CICA") to measure and report investments at fair value.

The Fund has designated its cash as held-for-trading, which is measured at fair value. Accounts payable, investor Bonds and other liabilities are classified as other financial liabilities which are measured at amortized cost. The Fund has no embedded derivatives that need to be separately valued.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and adjustments are reported in the Statement of Operations and Comprehensive Loss in the period in which they become known. The primary measurement uncertainty which may affect the reported amounts relates to the determination of fair values of other investments as described in the following pages.

Future accounting policy changes

In February, 2008 the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Fund, will be required to adopt International Financial Reporting Standards ("IFRS") in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures. The Fund's activities will cease when all investments have been divested. It is likely that the Fund will be wound up prior to 2011; therefore it will be unnecessary to complete an IFRS conversion project.

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2009

3. Commissions payable

According to the terms of marketing agreements entered into by the Fund, a commission is payable to the independent marketing agent selling the Bonds upon issuance of the investor's immigrant visa.

4. Investor bonds

Investor bonds represent the Bonds issued to investors of the Fund. The Bonds help to satisfy a portion of investors' visa requirements under the IIP. Interest to the maturity date of Bonds is accrued at an annual rate of 2% from the date of Bond issuance. The balance at December 31 is:

	2009	2008
43 Bonds	**$ 7,871,930**	$ 7,871,930

All Bonds have matured. The balance is comprised of 31 unsecured subordinated Bonds with a remaining principal balance ranging from $210,462 to $216,832 and 12 Bonds with a remaining principal balance ranging from $102,555 to $103,907.

The Bonds are subordinate to all other liabilities of the Fund and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities.

Liquidity problems experienced in the investment portfolio during the year 2000 forced the Fund to reduce repayments on Bonds that matured between September and November 2000, and to suspend repayments on Bonds that matured after November 2000. In September 2005, a payment of $47,250 was made to the holders of the 31 Bonds on which payments had been suspended.

The Fund has a significant deficit and no resources from which to make any further principal payments on the outstanding Bonds. It is expected that the Fund will be wound up in 2010 and any remaining cash resources will be paid to reduce the principal on the Notes.

5. Share capital

The authorized common share capital of the Fund at December 31 is:

Class A common shares - an unlimited number of voting common shares. Holders of these shares are not entitled to receive dividends.

Class B common shares - an unlimited number of non-voting common shares. Holders of these common shares are entitled to receive dividends.

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2009

The issued common share capital at December 31 is:

	2009	2008
1,000 Class A common shares	$ 1,000	$ 1,000

6. Financial risk management

The Fund's primary business was the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This investment activity entails exposure to market risk, including currency, interest rate and other pricing risks, credit risk, liquidity risk and capital risk. These risk factors may impact upon the Fund's ability to repay its Notes at maturity. These risk factors are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. While the Fund invests only in Canadian-dollar denominated investments, thereby matching the currency of its Notes, investee companies may be exposed to fluctuations in currency rates because of sales denominated in foreign currencies. Interest rate risk is the risk that the Fund's earnings will be affected by fluctuations in interest rates. Other price risk includes other factors that affect market prices, other than currency and interest risk. This may include the ability of an investee company to profitably distribute its products. Most of the companies in which the Fund invests are dependent upon a single product or industry. The Fund manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors. The Fund has no investments in equity financial instruments.

Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligations. Concentration of credit exposure may arise given that the Fund restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. The Fund conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis. The Fund has no investments in debt instruments and therefore has no exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in liquidating its investments at the time it is required to repay its Notes. Due to the nature of some of the Fund's investments, the timing of cash flows from its investments may not exactly match the payments owing

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2009

under the Fund's Notes. The Fund carefully monitors the duration of its investments. However, timing differences may require the Fund to reduce or delay the payments owing on Notes at maturity. As a result of investment losses, it is unlikely that the Fund will be able to repay the full principal amount of Notes.

Capital risk and disclosure

Capital risk is the risk that the Fund will not have access to capital to finance its operations. The Fund has no sources of capital from which to draw on in the event that the proceeds of investments are insufficient to repay Notes. The Fund is not subject to externally imposed capital requirements.

Fair value – investor Bonds

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of investor Bonds. Repayment of these Bonds at maturity is dependent upon the value and liquidity of investments at that time.

7. Administration

Under the terms of a management agreement between the Fund and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of the Fund with the assistance of a manager that performs fund administration and investment management together with several investment subadvisors. SGGF Management Corporation does not guarantee the financial performance of the Fund. All services provided to the Fund are charged on a fee for service basis. Effective March 31, 2009, Management Corporation was wound up into Crown Investments Corporation of Saskatchewan ("CIC") and CIC assumed the responsibilities of Management Corporation under the management agreement. Prior to April 1, 2009, all administration costs were billed by Management Corporation to the Fund. Subsequent to March 31, 2009, the Fund directly incurred its costs of administration with the exception of fees paid to the manager which are paid by CIC and reimbursed by the Fund. Administration costs incurred by the Fund, including those billed by CIC subsequent to March 31, 2009 and by SGGF Management Corporation prior to April 1, 2009 are as follows:

	2009	2008
Directors' fees and expenses	$ -	$ 252
Legal and professional	6,021	7,723
General administration	-	20
	$ 6,021	$ 7,995

Saskatchewan Government Growth Fund II Ltd.
Notes to Financial Statements (continued)
December 31, 2009

8. Income taxes

A provincial Crown corporation, CIC (prior to April 1, 2009, SGGF Management Corporation), owns all of the issued shares of the Fund. Therefore, the Fund is exempt from income taxes.

9. Related party transactions

Included in these financial statements are amounts resulting from transactions with CIC subsequent to March 31, 2009 and by SGGF Management Corporation prior to April 1, 2009 pursuant to a management agreement referred to in Note 7. Routine operating transactions with related parties are recorded at agreed upon exchange amounts and settled under normal trade terms. Total fees charged to the Fund by CIC and SGGF Management Corporation amounted to $2,591 (2008 - $7,995). Total fees payable to CIC at December 31, 2009, and included in the above, are $nil (2008 - $4,087 payable to SGGF Management Corporation).

10. Contingencies

The Fund indemnifies contracted parties in connection with services provided. From time to time the Fund or such parties may be defendants in litigation. It is not possible to predict the ultimate outcome of any outstanding litigation or estimate any costs which might result.